

Message Text

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ORIGIN AF-18

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APPROVED BY AF/W:JLLOUGHRAN
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L/EB: MR. BOND (INFO)
AID/AFR/CWA: MR. ELLIS (INFO)
----- 052803

O 271414Z JUN 74
FM SECSTATE WASHDC
TO AMEMBASSY ACCRA IMMEDIATE

C O N F I D E N T I A L STATE 138572

E.O. 11652: GDS
TAGS: EMIN, BGEN, PFOR, GH
SUBJECT: UNION CARBIDE NEGOTIATIONS WITH GOG

REF: ACCRA 3437

PLEASE PASS FOLLOWING TO JOHN PARKS FROM GEOGHAN FOR
QUASHIE-IDUN QUOTE:

1. FURTHER OUR TELEPHONE CONVERSATION FOLLOWING CHANGES
SUGGESTED FOR YOUR LETTER TO SOLICITOR GENERAL.
2. (I) RECOGNIZING DELOITTE REPORT COMPLETED SUGGEST YOU
CHANGE PARAGRAPH ONE BY STRIKING BALANCE OF LETTER AFTER
QUOTE EFFORTS WILL UNQUOTE AND SUBSTITUTING QUOTE OS AND S
HAS ENGAGED MESSRS DELOITTE AND COMPANY, AN INTERNATIONAL
FIRM OF CHARTERED ACCOUNTS, TO EXAMINE THE BOOKS AND REC-
ORDS INCLUDING CONTRACTS OF SALE ENTERED INTO BY OS AND S
WITH ITS CUSTOMERS FOR MANGANESE ORE. MESSRS DELOITTE AND
COMPANY HAVE PREPARED A CERTIFICATION AS STATED BELOW-

(II) THE SALES PROCEEDS FOR GHANA MANGANESE ORE SOLD BY
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OS AND S DURING EACH OF THE SIX YEARS ENDED SEPTEMBER 30,

1961 TO 1966, THE 15-MONTH PERIOD ENDED DECEMBER 31, 1967
AND EACH OF THE FOUR YEARS ENDED DECEMBER 31, 1968 TO 1971
HAVE BEEN REVIEWED AND AN AVERAGE SELLING PRICE, EITHER FOB
TAKORADI OR EQUIVALENT FOB TAKORADI AS DEFINED BELOW HAS
BEEN CERTIFIED USING THE FOLLOWING EXCHANGE RATES:

(A) YEARS TO SEPTEMBER 1966 AT TWO CEDIS TO THE POUND
STERLING

(B) FROM OCTOBER 1966 TO DECEMBER 1971 AT THE AVERAGE
RATE OF EXCHANGE FOR THE YEAR.

(III) THE CERTIFICATION RECITES THE EXTENT OF THE EXAM-
INATION WHICH INCLUDED VERIFICATION ON A TEST BASIS WITH
CORRESPONDING SALES INVOICES AND SALES CONTRACTS OF GHANA
MANGANESE ORE.

(IV) ADJUSTMENT FROM CIF SALES TO EQUIVALENT FOB TAKORADI
PRICES WAS MADE BY DEDUCTING FROM THE CIF SALES VALUE THE
ACTUAL FREIGHT AND INSURANCE COSTS INCURRED ON THE SHIP-
MENTS.

(V). THE PRICES OBTAINED BY THE COMPANY FOR SALES OF
GHANA MANGANESE ORE TO INDEPENDENT CUSTOMERS WAS COMPARED
WITH PRICES OBTAINED FOR SALES TO UNION CARBIDE
CORPORATION AND ITS ASSOCIATED COMPANIES. THE CERTI-
FICATION STATES THAT MESSRS DELOITTE AND COMPANY SATISFIED
THEMSELVES THAT THERE WERE NO CONTRACTS FOR COMPARABLE
QUANTITIES OF LIKE GRADES IN WHICH THERE WERE ANY MATERIAL
DIFFERENCES IN PRICES BETWEEN THOSE OBTAINED FROM INDE-
PENDENT CUSTOMERS AND THOSE OBTAINED FROM ASSOCIATED
COMPANIES.

(VI). BASED ON THE PRICES CERTIFIED BY MESSRS DELOITTE
AND COMPANY A FIVE PERCENT ALLOWANCE WILL BE MADE IN LIEU
OF ACTUAL SELLING EXPENSE AND PROFIT. FROM THE FIGURE
THUS DETERMINED AND TAKING INTO ACCOUNT THE INCOME TAX
AND MINERALS DUTY PAID BY AMC DURING THIS PERIOD ANY
ADDITION INCOME TAX AND MINERAL DUTY DUE MAY BE EASILY
DETERMINED.

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THIS BALANCE WILL BE ACCEPTED BY BOTH PARTIES AS THE
ADDITIONAL ASSESSMENT PAYABLE BY AMC FOR SUCH PERIOD.

(VII). YOUR PARAGRAPH SEVEN AS CONTAINED IN YOUR CABLE

(VIII). YOUR PARAGRAPH ROMAN NUMERAL THREE. UNQUOTE.

3. (I) FOR YOUR INFORMATION:

THE DELOITTE REPORT IS ADDRESSED TO ME AS ATTORNEY AT LAW.

(II) REPORT STATES THAT DUE TO COMPANY'S NORMAL RETENTION POLICY WHICH IS CONSISTENT WITH GENERAL PRACTICE ADOPTED BY OTHER U.K. COMPANIES INVOICES AND CONTRACTS ARE

RETAINED FOR SIX YEARS THUS FOR PERIOD PRIOR TO DECEMBER 31, 1967 THE INVOICES AND CONTRACTS WERE NOT AVAILABLE. FRANKLY, DON'T THINK THIS SHOULD BE PROBLEM AS DELOITTE REPORT ALSO CERTIFIES THAT THE TOTAL SALES VALUES OF THE ENTIRE PERIOD AGREES WITH AUDITED FINANCIAL STATEMENTS FOR THE SAME PERIOD. IF YOU THINK NECESSARY TO MENTION IN FOREGOING LETTER, DO SO.

(III). CONCEPTUALLY THIS PROPOSAL REPRESENTS COMPROMISE OF DIFFERING VIEW POINTS WHERE AMC POSITION IS THAT OPERATIONS DURING THESE YEARS WERE PROPER. THUS FORMULA FOR PAYMENT BASED ON CERTIFIED AVERAGE FOB RESALE PRICES IS COMPROMISE ON AMC'S PART, IN EFFORT TO SETTLE DISPUTE PAYMENT TERMS OF ANY SETTLEMENT WOULD HAVE TO BE WORKED OUT AND NO FOREIGN EXCHANGE WILL BE INVOLVED.

4. AM PLANNING TRAVEL TO ACCRA FOR DISCUSSION BEGINNING MONDAY JULY 22 AND WOULD APPRECIATE YOUR CONFIRMATION THAT DATE. REGARDS. GEOGHAN UNQUOTE. SISCO

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